

## Department of Administrative Services - State Accounting Enterprise

Section	Procedure Number	Page Number	Effective Date
PRE-AUDIT	270.850	1 of 4	July 1, 2003 Revised 3/26/07
<b>Subject</b> PROCESSING INCOME OFFSET			

1. Section 8A.504 (2) directs the Director of Administrative Services to:  
“Establish and maintain a procedure to set off against any claim owed to a person by a state agency any liability of that person owed to a state agency.”
2. Departments may be affected by the State's Income Offset Program in two ways:
  - a. Vendors of a department who are on the State's Outstanding Liability File will have their payments from the department withheld to satisfy the outstanding liability. See 3 below for an explanation of actions when a warrant is held.
  - b. Departments with outstanding liabilities may participate in the Offset Program as an additional opportunity to collect the outstanding debt. See 4 below for an explanation of how to participate in the State's Income Offset Program.
3. **Held Warrants**
  - a. When a department writes a warrant to a vendor who is listed on the State's Outstanding Liability File, the DAS-SAE-Offset Program is notified of the match. The Offset staff reviews the list of matching vendors on the Offset Program in the overnight accounting cycle and which payments are to be processed and which payments to release. A list of payments that are to be held is provided to DAS-SAE-Daily Processing.
  - b. DAS-SAE-Daily Processing pulls the warrants that are to be held for offset and replaces them with a notification to the department indicating the warrant has been offset. See page 4 for a sample of the notice given to State departments. The top 2 sections of this notice are sent to the paying department at this time.
  - c. The offsetting agency is notified of matches from the overnight accounting cycle. If the debt is still due, the offsetting agency sends a notification letter to the vendor regarding the match and their appeal rights. By statute, the offsetting agency has 10 days to notify the debtor.
  - d. The offsetting agency has 45 days to notify the DAS-SAE-Offset Program of action to take regarding the match. DAS-SAE-Offset Program executes the instructions from the offsetting agency. If the DAS-SAE-Offset Program is not notified within 45 days, the monies are released to the vendor.
  - e. Regardless of the disposition, the DAS-SAE-Offset Program notifies the paying department of the action taken on each held warrant by sending a copy of the bottom section of the notice on page 3. See page 4 of this procedure for a listing of the various actions taken on offset matches. These actions are stamped on the bottom section of the notice on page 4.

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#### 4. Participating in the State's Income Offset Program

- a. Once a debt occurs, the offsetting agency must, in good faith, attempt to collect from the vendor. A phone call and a letter with the intent upon recovery of debt must occur. Due diligence should be documented and retained at the offsetting agency. If resolution of the debt does not occur, and the debt is at least \$50, the offsetting agency may then include the liability on their file with the DAS-SAE-Offset Program.
- b. If the offsetting agency is unsuccessful in collecting the liability from the debtor, an agreement is entered into between the Director of the Offsetting Agency and the Director of the Department of Administrative Services.
- c. All offsetting agencies participating in the offset program must provide the DAS-SAE-Offset Program with a liability file. The information must include the person or vendor name, taxpayer identification number (federal identification number or social security number), amount of liability, and a written statement declaring the debt to have occurred. This information is provided to the DAS-SAE-Offset Program via tape or manually, depending on the size of each offsetting agency's liability file.
- d. Matches may come from various sources including tax refunds, vendor payments and lottery winners. Once a match occurs, the offsetting agency is notified by the DAS-SAE-Offset Program of the match. The offsetting agency is required to send notification to the debtor within ten calendar days from the date the offsetting agency was notified by DAS-SAE-Offset Program of a potential offset. This notification must include the following:
  1. The offsetting agency's right to the payment in question.
  2. The offsetting agency's right to recover the payment through this offset procedure.
  3. The basis of the offsetting agency's case in regard to this debt.
  4. The right of the debtor to request a split of the payment between parties when the payment in question is jointly owned or otherwise owned by two or more persons (i.e., tax refund).
  5. The debtor's right to appeal the offset and the procedure to follow in that appeal.
  6. The offsetting agency or division and a phone number for the debtor to contact.

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- e. The offsetting agency has 45 total days to notify the DAS-SAE-Offset Program of the action to take on each match. If DAS-SAE-Offset Program is not notified within 45 days, the monies must be returned to the debtor. Once the offset has been completed, the offset agency must notify the debtor of the action taken along with the balance, if any, still due to the offsetting agency.
  - f. A participating offsetting agency must notify the DAS-SAE-Offset Program immediately of any change in the status of a debt to the State. This notification shall be made no later than 30 calendar days from the occurrence of the change. Change in status may come from payment of the debt, invalidation of the liability, alternate payment arrangements with the debtor, bankruptcy or other factors.
  - g. Each offsetting agency maintaining an outstanding liability file is required to certify the file to the DAS-SAE-Offset Program semi-annually.
5. Questions relating to the State's Income Offset Program should be directed to the DAS-SAE-Income Offset Coordinator at (515) 281-6649.

	<b>NOTICE OF HELD WARRANT</b>
«NAME» «ADDRESS1» «ADDRESS2» «City» «ZIP»	Pursuant to Chapter 8A.504 of the Code of Iowa we are holding warrant no. «Warrant_Number» which was issued on «Warrant_Date» in the amount of \$«Amount». This payment was for goods/services provided to the «Paying_Department_Name». Your entity will be receiving additional information from the offsetting agency within 10 days. Per Chapter 8A.504 of the Code of Iowa, this obligation of the above-mentioned department has been met. Please do not send past due notices and/or late charges to them. You will be notified of the disposition of this payment within 45 days. If you have any questions, please contact the Department Administrative Services – State Accounting Enterprise at (515) 281-5202.
<b>DEPARTMENT COPY</b>	
VENDOR CODE/ DOC NUM/ ACCOUNT CODE	
«SSN»/«Paying_Document_ID»/ «Account_Code»	

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<b>Stamp</b>	<b>Explanation</b>
<p><b>Warrant retain by the State of Iowa to offset an outstanding liability per Section 8A.504 of the Code of Iowa.</b></p> <p>Signature _____ Date _____</p>	<p>This stamp is used when the entire warrant amount is retained by the offsetting agency</p>
<p align="center"><b>WARRANT RELEASED FROM INCOME OFFSET</b></p> <p>Signature _____ Date _____</p>	<p>This stamp is used when the entire warrant amount is released to the vendor</p>
<p><b>Per Section 8A.504 of the Code of Iowa warrant split for income offset purposes to satisfy an outstanding liability due to the State of Iowa.</b></p> <p>Amount retained \$ _____</p> <p>Amount released to vendor \$ _____</p> <p>Signature _____ Date _____</p>	<p>This stamp is used when part of the warrant amount is retained by the offsetting agency and the remainder is released to the vendor.</p>
<p><b>Per Section 8A.504 of the Code of Iowa warrant split for income offset purposes. Remainder retained pending disposition of liability \$ _____</b></p> <p>Amount release to vendor \$ _____</p> <p>Signature _____ Date _____</p>	<p>This stamp is used when the amount of the warrant is split by the Department of Administrative Services – State Accounting Enterprises. It shows the amount released and the amount being held for possible offset</p>
<p><b>REMAINDER RETAINED PENDING DISPOSITION OF LIABILITY \$ _____</b></p> <p><b>SIGNATURE _____ DATE _____</b></p>	<p>This stamp is used in connection with the third and fourth stamps shown above. It is used to show the issuing agency that part of the warrant is being held for an additional offsetting agency.</p>